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MANAGEMENT AUDIT REPORT

of the

SOCIAL SERVICE DEPARTMENT

Piper, C. Erwin

[L.A. Dept. of social service] LA
Private welfare Fund raising
Economics Consumption

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by

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City Administrative Officer

December, 1975

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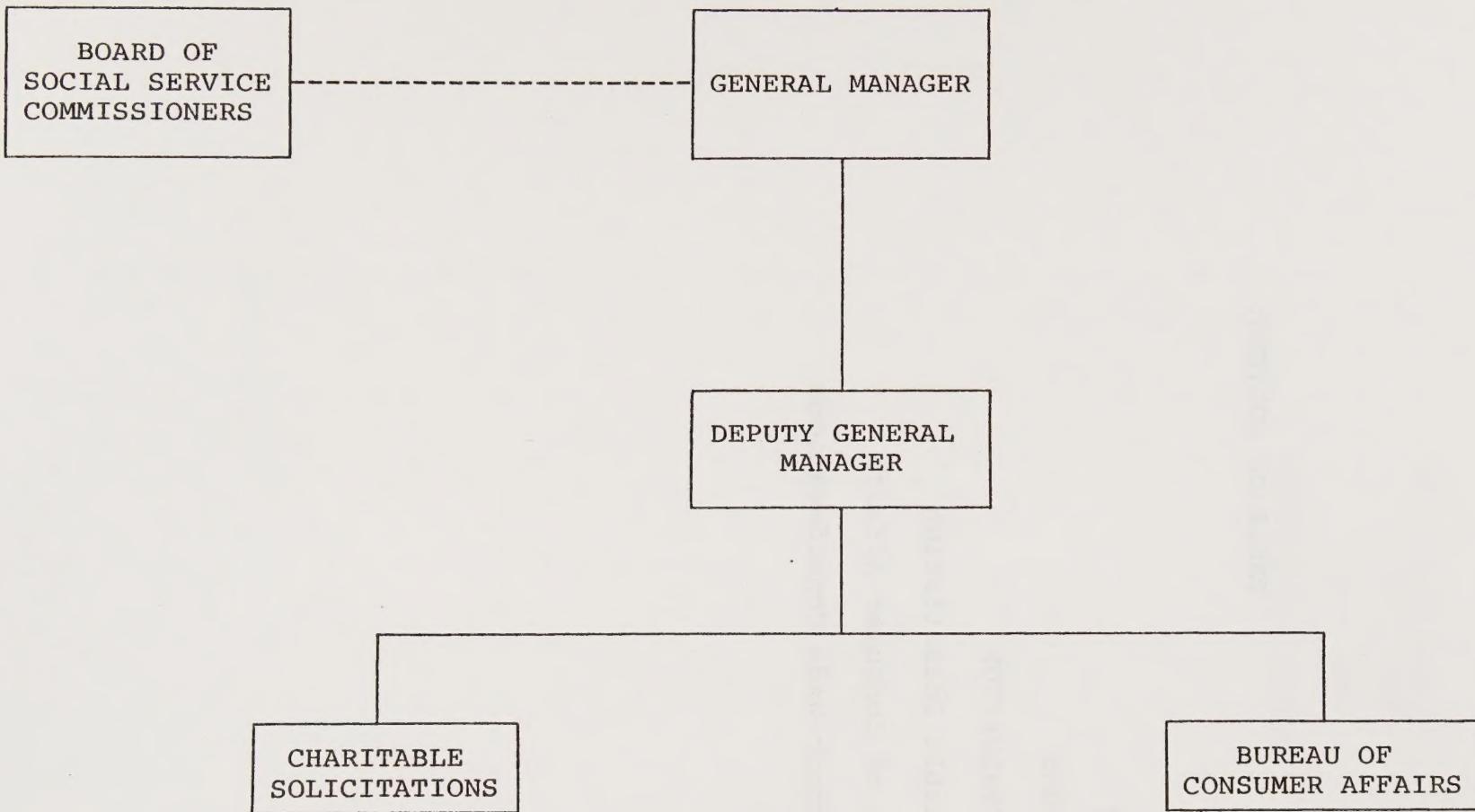
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INTRODUCTION

The Social Service Department is a Charter-created Department under the control and management of its General Manager. The Board of Social Service Commissioners, consisting of five citizens appointed by the Mayor with the approval of the Council, serves primarily in an advisory capacity.

The Department has two primary functions: regulation of charitable solicitations and consumer protection.

The Department's charitable solicitation program objectives are to avoid duplication of charitable services and thereby reduce the cost of fund raising and to eliminate illegal, fraudulent, and deceptive charitable appeals. The Department encourages the formation of private charities to meet needs not already provided for and fosters all worthy, charitable, and philanthropic enterprises.

The Bureau of Consumer Affairs was established within the Department of Social Service by ordinance in February, 1972. Its objective is to protect the consumer from unfair, deceptive, and unconscionable trade practices.

The direct budget costs for 1975-76 total \$770,126 and are divided among the following programs:

Consumer affairs	\$480,875
Investigation, furtherance and regulation of charitable solicitations	156,760
Aid to the needy	6,123
General administration and support	126,363

In addition to the direct budget cost, \$250,081 of related costs are included in budgets of other departments.

Management audits were made of the Social Service Department in 1963 and 1970 and of the Bureau of Consumer Affairs in 1973.

The cooperation of the General Manager and the staff in conducting this audit is gratefully acknowledged. The General Manager has reviewed the audit report and concurs in its findings and recommendations. The President of the Board of Social Service Commissioners has also reviewed the report and agrees with the findings.

RECOMMENDATIONS

It is recommended that the General Manager:

1. In cooperation with the City Attorney, expedite the revision of the Charitable Solicitation Ordinance.
2.
 - a. Initiate a project to manually analyze a representative sample of completed consumer complaints to: optimally locate branch office operations; locate complaints by geographic area of the City, e.g., councilmanic district; and determine the most common types of consumer complaints upon which intensive City-wide consumer education can be based and legislation proposed.
 - b. Request only the minimum amount of consumer data for the proposed computerized Statistical Recordkeeping System, i.e., case number, consumer complaint type, case disposition, geographic location, business identification, date of complaint, and Investigator assigned.
3. Establish a records retention schedule for the Bureau of Consumer Affairs as outlined in Section 12.5 of the Los Angeles Administrative Code.
4. Change the telephone listing so that telephone numbers and addresses of branch offices are listed and an informative message provided that is similar to that provided by the State of California.

NOTE: It is estimated that implementation of these recommendations will cost approximately \$100 each year (No. 4) and will result in annual savings of \$2,000 (No. 2b).



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STATUS AND EVALUATION

Charitable Solicitation

The Charitable Solicitation Ordinance (Los Angeles Municipal Code Sections 44.01 to 44.20) states the procedures which must be followed in conducting any charitable appeal in the City.

In controlling charitable solicitations, the Department:

Investigates and regulates charitable solicitations.

Grants endorsements to qualified charitable agencies.

Determines the eligibility of charitable organizations for exemption from the payment of business taxes and police permit fees.

Disburses City funds appropriated for charitable purposes.

Maintains an emergency welfare referral and assistance service.

The charitable solicitation function has not changed since the previous audit, except that the Christmas Clearing Bureau has been eliminated. The work program for the investigation, furtherance, and regulation of charitable solicitations indicates that the Department estimates it will in 1975-76:

Investigate 3,800 requests for charitable solicitation.

Review the results of 3,000 solicitations.

Audit 222 charitable organizations.

Before any solicitation for charitable purposes may be made, a Notice of Intention must be filed with the Social Service

Department. The Notice of Intention provides information which enables the Department to evaluate the services to be performed and ascertain the necessity for the proposed appeal. It sets forth the kind of appeal which will be made, dates and goals of solicitation, and how the proceeds will be used, including itemized anticipated expenditures. Full information about the organization must be submitted with the Notice of Intention, including copies of basic legal documents, audit reports, financial statements, budgets, tax exemptions, and information regarding Board members.

The Department's investigative staff reviews each Notice of Intention, and the accompanying information to determine whether the organization meets all legal requirements and fund raising standards of the Department. The information is used by the Department in preparing the Information Card.

The Information Card contains important facts to be considered by a prospective donor in determining the desirability of making a contribution. No solicitation can be started until an Information Card has been issued by the Department. Also, no solicitation may be made until the donor has been given an opportunity to read the Information Card.

If a fund raising event is held, the organization has 30 days after completion of the event in which to file a Report of Results with the Department. The Report is a detailed financial report indicating the receipts, the amount remaining for charitable purposes, and the distribution of net proceeds. Every Report of Results is reviewed, and an audit is performed when necessary to insure complete compliance with the Charitable Solicitation Ordinance and the Department's fund raising standards.

The standards, which have the support of the charitable organizations, include the requirement that fund raising costs for direct public appeals shall not exceed 20 percent of total receipts, and shall not exceed 50 percent of total receipts for special events. Door-to-door solicitations for charitable purposes are restricted to hours between 9:00 a.m. and 9:00 p.m. Solicitations by children under 16 years of age are restricted to hours between 9:00 a.m. and sunset. Other standards prohibit coin containers, sending of unordered merchandise, tag days, and street sales. To satisfy the conditions enumerated in the Municipal Code, local fund raising groups must conform to standards requiring a local organization with at least an 11 member board, by-laws spelling out the organization's purpose and procedures, and other operational matters.

The Department is empowered to endorse charitable or philanthropic organizations depending upon public appeal or general solicitations for support. Application for endorsement is entirely voluntary. A request for endorsement receives an extensive investigation and financial review. There are some 72 endorsed agencies.

Although the Department has been exemplary in performing a service to the City, some improvements in the Charitable Solicitation Ordinance are needed. The General Manager has been working with the City Attorney to strengthen the Ordinance by removing some of the less desirable provisions and adding some of the standards to the Ordinance. These changes should enable the Department to do an even better job for the citizens. See Recommendation No. 1.

The Department is performing the charitable solicitation function well and is accomplishing its major objectives. No major problems were identified during the audit.

Bureau of Consumer Affairs

To carry out its objective, the Bureau:

Receives and investigates consumer complaints. The consumer is asked to fill in a simple complaint form in either Spanish or English and submit copies of evidence. The complaint is then assigned to an Investigator who contacts both the buyer and seller to seek an equitable solution.

Recommends and proposes legislation in the interest of the consumer.

Promotes ethical standards of conduct for business and consumer.

Develops consumer education programs.

Holds hearings, with power to subpoena witnesses or evidence.

Provides necessary investigation to recommend the initiation of criminal or civil action. The City Attorney's Office provides legal counsel and assistance to the Bureau and, when required, files civil or criminal complaints against violators of consumer protection laws on behalf of the Bureau.

Work Program

During the fiscal years 1973-74 and 1974-75, the following consumer complaint activities were processed:

<u>Public Information and Counseling</u>	<u>FY</u>	<u>FY</u>	
	<u>1973-74</u>	<u>1974-75</u>	<u>% Change</u>

Telephone Inquiries	109,318	161,655	+47.9%
Mail	12,415	16,840	+35.6%
Office Visits	7,328	13,064	+78.2%

<u>Complaints Received</u>	10,802	12,615	+16.8%
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Complaint Investigations

Cases Finalized- Investigated	8,929	13,161	+47.4%
Cases Finalized- Others	491	544	10.8%

Savings to Customers

Value of Products, Services Performed and Contracts Released	\$1,394,964	\$1,404,371	+ .68%
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The current work load indicates that there are approximately 1,200 cases in the work load or about 60 to 70 cases per Investigator. Some Investigators had 90 to 100 cases. There are about 250 cases finalized per week and about 260 new cases come into the work load every week.

Written Consumer Complaints are Acknowledged by Post Card Within 24 Hours of Receipt

A sampling was made of the time required to finalize consumer complaints from the date received to the date of finalization. The sample revealed the following: 36 percent of consumer complaints are finalized within ten days, 80 percent are finalized within 30 days, and 95 percent of all complaints are finalized within 60 days.

This sampling does not include the many cases which are finalized over the telephone. The Bureau has only recently begun to keep records for those cases finalized from the 160,000 phone calls it receives yearly.

The telephone inquiries and written complaints have increased so dramatically that the ability to finalize these complaints to the satisfaction of the Investigator is diminishing. Some cases are in the work load several weeks before the Investigator can begin to process them.

The Investigators state that a large portion of all the complaints can be routinely finalized with a minimum effort, many times over the telephone. The remaining cases require a great amount of time and effort and usually require specialized training and knowledge in technical areas such as real estate, law, and construction.

The Bureau has established a board of review, composed of Senior and Principal Investigators, who meet as required to determine how the more difficult cases are to be handled. These cases are referred to the board by the Investigators after they have made preliminary investigation into the case.

The City Attorney's Office provides legal counsel and assistance to the Bureau on a daily basis and, when required, files civil and criminal complaints against violators. This cooperation has worked successfully in obtaining a judgment against a large automotive credit corporation.

This audit revealed that complaints were being processed for people who reside outside of the City against businesses outside of the City. This was brought to the attention of the General Manager who took prompt corrective action.

Los Angeles County recently created a Department of Consumer Affairs. The City Council considered and rejected on July 25, 1975, a

proposal to have the County's Department provide full service to City residents (C.F. 75-1824).

The creation of this County department probably will create an immediate problem for the City. This is due to the fact that many of the City's Consumer Affairs employees will apply and probably be appointed to County positions which pay higher salaries. The loss of these experienced employees could handicap the City's efforts while replacements are being recruited and trained.

Cooperation with the California State Department of Consumer Affairs

In cooperation with the City's Bureau of Consumer Affairs, the State Department of Consumer Affairs has transferred to the City all Los Angeles consumer complaints that could not be referred to a State board, bureau, and agency. This action was initiated on June 17, 1975, and has amounted to 77 complaints up to September 10, 1975. This has been a major step towards eliminating the duplication of governmental services.

Consumer Education

In compliance with the ordinance, the Bureau has an extensive consumer education and information program in response to requests for services. In response to these requests, many speeches, news media interviews and appearances have been made, and consumer alerts and news bulletins issued to educate the public on consumer protection and the services of the Bureau.

Statistical Analysis of Consumer Complaints

Since the Bureau was established in 1972, it has maintained indexes and files on all of the approximately 37,000 complaints it has processed.

The index system consists of two alphabetic card files. One contains complainant name, address, telephone number, and case number. The other file contains the business name, address, telephone number, and complainant case number. The complaint case files contain the complaint form, and investigation material and are filed by case number. The Bureau has been unable to perform extensive analysis on these case records without long and tedious manual research and analysis, e.g., an analysis of insurance complaints.

The Bureau has requested a computerized statistical recordkeeping system to reduce manpower needed for clerical tasks and to provide statistical reports. Information would also be provided for optimum branch office locations, work load and trend analysis for staffing purposes, and input for consumer education programs and proposed legislation on complaints. The request was being processed at the time of the audit.

Initial user requirements indicate that the Bureau intends to computerize all of the information on its index cards in addition to type of complaint, census tract, and case disposition. It is questionable if all of this information, i.e., consumer address, should be keypunched and computerized.

Locating complaints by census tract, instead of councilmanic district, will allow summaries by councilmanic district or any other geographic area in the City. The census tract is the basic building block upon which other files are being built in the City. It may be that the type of consumer complaint, geographic location, date, case disposition, business identification, and Investigator assigned are all that is necessary for statistical analysis and control of the work program.

In order for the Bureau to be more responsive to citizens' needs, some statistical information is needed immediately e.g., geographic location, type of complaint, disposition, and date. This information should be extracted manually instead of waiting for the development of a computerized program. A random sample of the consumer complaints already processed in the last two years should provide the required information for management decision making, i.e., branch office locations, work load analysis, consumer education programs, Investigator training, etc. See Recommendation No. 2.

Telephone Listing

In Fiscal Year 1974-75, there were over 160,000 telephone inquiries made to the Bureau of Consumer Affairs. Many of these inquiries came from citizens who reside outside of the City and were referred to the City from other consumer bureaus and telephone operators. The Bureau will process a consumer complaint from any group or person who has transacted business in the City or who resides in the City.

The State of California assists the public in processing consumer complaints by carrying the following bold-type message in the Los Angeles area telephone books: "CONSUMER COMPLAINT AND PROTECTION

COORDINATORS: TO REGISTER A COMPLAINT THAT YOU HAVE BEEN UNABLE TO RESOLVE WITH A BUSINESS OR OBTAIN INFORMATION, SELECT PROPER GOVERNMENT AGENCY FROM THOSE LISTED BELOW." Below this heading specific telephone numbers are listed for the State office that will best handle the complaint.

The listing for the City of Los Angeles's Bureau of Consumer Affairs only lists a telephone number. A listing of the branch office locations and their telephone numbers, in addition to an informative message, should assist consumers in directing their complaints for proper resolution. See Recommendation No. 4.

Branch Offices

The Bureau of Consumer Affairs is located on the 8th floor of City Hall and has branch offices in Van Nuys, San Pedro, Wilmington, Watts, Boyle Heights (Operacion Estafadores Office), California State University Los Angeles, and Pacoima. With the exception of the Van Nuys, San Pedro, and Watts Offices, these branches are staffed by Investigators for various periods of time.

A statistical analysis of consumer complaints by geographic location should provide input for determining best locations for branch offices. See Recommendation No. 2a.

Records Retention

In the three and one-half years of operation, the Bureau of Consumer Affairs has amassed many records which have little or no use, but serve to create a records and file storage problem. With the fine record of finalized consumer complaints, there is a questioned need for the retention of many of these records. See Recommendation No. 3.

Volunteers

The Bureau of Consumer Affairs has one employee who serves as Director of Volunteers. The Director of Volunteers coordinates the services of more than 100 volunteers who perform various services for the Bureau. In addition to staffing the telephones in branch offices and assisting in the processing of consumer complaints, the volunteers conduct advertising verification and senior citizens programs.

The advertising verification program consists of volunteers going out to businesses in the community and verifying that the

merchandise advertised in the City newspapers is available to consumers as advertised. Any discrepancies in the advertising are reported to the Bureau and referred to a staff member for a follow-up investigation. Volunteers conduct 40-50 surveys each month.

Various senior citizen groups have requested speakers from the Bureau. The speakers distribute senior citizen kits which contain important consumer information. The Department estimates that 25-30 senior citizen talks are given per month. In this way, the Bureau is able to recruit additional volunteers from the senior citizens ranks. Speakers also appear before service clubs, community organizations, and P.T.A.'s.

Just recently, a branch office was opened at Cal State Los Angeles. Students are used as volunteers to assist the Investigators.

Supermarket Price Comparison Survey

In Spring, 1975, volunteers and investigators conducted price comparison surveys in supermarkets in areas of Los Angeles. The purpose of these surveys was to determine if food markets were altering prices throughout the month based on local income patterns. The survey was also designed to determine if consumers were being afforded equal consideration in prices throughout the City. A further survey has been conducted at Aliso Village.

Training

In 1974-75, the staff of the Bureau of Consumer Affairs has participated in in-house training and has heard speakers who familiarized the Investigators with current standards and practices in consumer protection investigation. Included in these discussions and training have been topics such as Field Inspection Procedures, the Auto Repair Act, Landlord-Tenant Laws, False and Misleading Advertising, Small Claims Court, Home Solicitations, Property Liens, Credit Cards, Contracts in Spanish, Bait and Switch Tactics, Nursing Homes, Charter Flights, and Auto Sales Contracts. It is planned to conduct additional mini-training sessions as the need arises.

The Personnel Department offers classes in supervisory development, telephone use, and general orientation which the Bureau staff has attended. Training has also been given in report writing, human relations, and public contact.

Evaluation

The consumer protection function of the Department is being performed quite well within the limitation of its budget. The handling of consumer complaints is at a near optimum level within the philosophy established by the General Manager, that of "one-to-one" personalized attention with the individual, free of charge, without referring complaints to other agencies. Over 35,000 complaints have been resolved and approximately \$4 million in fair market value of services performed, money refunded, and contracts rescinded was accomplished since the Bureau of Consumer Affairs was established in 1972. The number of citizens' seeking information, counseling, and resolution for their complaints is an indication of the service being provided by the Bureau.

The increasing work load, nearly 50 percent more requests for assistance in Fiscal Year 1975 than in Fiscal Year 1974, with a limited increase in manpower, is causing some lowering of morale among the staff. Items affecting morale are crowded facilities, the uncertainty of jobs caused by the past proposed merger with the County, and dissatisfaction with the salary.

The negotiation of Memorandum of Understanding, the proposed adoption of the new class specifications by the Civil Service Commission, the eventual reassignment of space, and the implementation of recommendations in this audit report should greatly alleviate many of these problems.

It was noted that very good cooperation exists between the Bureau and other agencies such as the Los Angeles Police Department, the State Bureau of Consumer Affairs, the City Attorney, and the District Attorney.

Department-wide Considerations

Affirmative Action

The Social Service Department's Affirmative Action Program contains quantitative and qualitative goals. The quantitative goals are established at the beginning of each fiscal year for a five-year period. The goals are those which can reasonably be accomplished

under the merit system to increase the representation of women and minorities in the Department's work force. The quantitative goals are the Department's action plan to achieve the qualitative goals. The General Manager and Equal Employment Opportunity Coordinator review the Department's goals semi-annually.

The General Manager and EEO Coordinator presented a three-hour Affirmative Action Orientation Seminar to all Department employees in July, 1975. At this Seminar, all employees received an Affirmative Action Training Kit which contained an Affirmative Action Glossary and Plan Summary, a Summary of Federal and State Affirmative Action Laws and Guidelines, Discrimination Complaint Procedure, an Education and Skills Inventory, and a graphic depiction of the potential promotional ladder for Investigators in the Consumer Protection and Social Service Investigator series of classes.

Ninety-five percent of the Department's authorized 59 employees are in three occupational categories: Professional, Technician, and Office/Clerical. The Department's quantitative goals for Fiscal Year 1974-75 have largely been achieved, with slight underrepresentation of Spanish surnames in the technician classes (See Attachment 1).

Due to the small number of positions in the Department and low rate of attrition, there is limited opportunity to achieve full parity with the City's civilian labor force. However, the Department has a good Affirmative Action Program. It is pursuing aggressive recruitment, selection, training and counseling programs to assist in promoting affirmative action and upward mobility for its employees. The Personnel Department has approved the Social Service Department's revised goals and indicates that it has a good program.

CITY OF LOS ANGELES

QUANTITATIVE AFFIRMATIVE ACTION GOALS

Occupational Category	No. of Authorized Positions or No. Employed	GOALS 1974-75		Employees as of 6-30-75*		GOALS 1975-76		GOALS 1976-77		GOALS 1977-78		GOALS 1978-79		GOALS 1979-80		% of Change in Representation
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
OFFICIALS/ADMIN.	3															
Blacks		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	
Spanish-Surnamed		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	
Asian Americans		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	
American Indians		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	
Women		1	50.0	1	33.3	1	33.3	1	33.3	1	33.3	1	33.3	1	33.3	-16.7
PROFESSIONAL	9															
Blacks		0	0	0	0	1	11.1	1	11.1	1	11.1	1	11.1	1	11.1	+11.1
Spanish-Surnamed		0	0	0	0	0	0	1	11.1	1	11.1	1	11.1	1	11.1	+11.1
Asian Americans		1	11.1	0	0	0	0	0	0	0	0.0	0	0.0	0	0.1	-11.1
American Indians		0	0	1	11.1	1	11.1	1	11.1	1	11.1	1	11.1	1	11.1	0
Women		3	33.3	3	33.3	3	33.3	3	33.3	3	33.3	3	33.3	3	33.3	+11.1
TECHNICIAN	38	33	33	38	38	38	38	38	38	38	38	38	38	38	38	
Blacks		9	27.2	9	27.2	9	23.7	9	23.7	9	23.7	9	23.7	9	23.7	- 3.5
Spanish-Surnamed		3	9.0	2	6.1	4	10.5	5	13.2	6	15.8	6	15.8	6	15.8	+ 6.8
Asian Americans		0	0	0	0	0	0	1	2.6	1	2.6	1	2.6	1	2.6	+ 2.6
American Indians		0	0	1	3.0	1	2.6	1	2.6	1	2.6	1	2.6	1	2.6	+ 2.6
Women		5	15.1	6	18.2	7	18.4	8	21.1	9	23.7	9	23.7	9	23.7	+ 8.6
OFFICE/CLERICAL	14	16	13	14	14	14	14	14	14	14	14	14	14	14	14	
Blacks		5	31.2	3	23.1	4	28.6	3	21.4	3	21.4	3	21.4	3	21.4	- 9.8
Spanish-Surnamed		4	25.0	2	15.4	3	21.4	4	28.6	4	28.6	4	28.6	4	28.6	+ 3.6
Asian Americans		1	6.3	0	0	1	7.1	1	7.1	1	7.1	1	7.1	1	7.1	+ .8
American Indians		0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0
Women		16	100.0	13	100.0	14	100.0	14	100.0	14	100.0	14	100.0	14	100.0	

* % for 6/30/75 computed on positions filled, other goals computed on positions authorized.

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